

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**LOUISVILLE/JEFFERSON COUNTY METRO  
REVENUE COMMISSION -**

**A COMPONENT UNIT OF  
LOUISVILLE METRO, KENTUCKY**



**For The  
Fiscal Year Ended  
June 30, 2004**

# **Comprehensive Annual Financial Report**

## **LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION –**

**A COMPONENT UNIT OF  
LOUISVILLE METRO, KENTUCKY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Prepared by: Finance & Administration Department  
Wm. Michael Tronzo, Secretary-Treasurer  
Alice Diggs, Financial Operations Manager



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June 30, 2004

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## **INTRODUCTORY SECTION**



LOUISVILLE, KENTUCKY

LOUISVILLE/JEFFERSON COUNTY METRO REVENUE COMMISSION

JERRY E. ABRAMSON  
MAYOR

WM. MICHAEL TRONZO, CPA  
SECRETARY-TREASURER

October 26, 2004

To the Honorable Jerry E. Abramson, Mayor Louisville Metro Government

The comprehensive annual financial report of the Louisville/Jefferson County Metro Revenue Commission – a component unit of the Louisville/Jefferson County Metro Government, Louisville, Kentucky – for the fiscal year ending June 30, 2004, is hereby submitted in accordance with the provisions of Section 32.450 of the Louisville/Jefferson County Metro Government Code of Ordinances. This Ordinance requires that the Louisville/Jefferson County Metro Revenue Commission issue annually a report on its financial position and activity, and that an independent firm of certified public accountants audit this report. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds of the Metro Revenue Commission. All disclosures necessary to enable the reader to gain an understanding of the Metro Revenue Commission's activities have been included.

## **Government Structure**

In 1851, the Legislature of the Commonwealth of Kentucky acted to establish the Revenue Commission. In September 1867, upon reorganization, the Revenue Commission became an independent branch of government. In 1982, the Kentucky General Assembly repealed the statute that created the independent agency. It is now an agency of the Louisville/Jefferson County Metro Government. The Commissioners consist of the Mayor of the Louisville/Jefferson County Metro Government, the President of the Metro Council, the Superintendent of the Jefferson County Public School System, and three citizen members appointed by the Mayor of the Louisville Metro Government pursuant to Section 32.450(f).

## **Basic Financial Statements**

We will present our financial report in three sections: introductory, financial, and statistical. The introductory section, which is unaudited, includes a letter of transmittal, management's discussion & analysis, an organizational chart, and a list of the Louisville/Jefferson County Metro Revenue Commission's principal elected and appointed officials.

## **Fiscal Year Overview**

The Metro Revenue Commission had good success with the IRS Matching program we began in the spring of 2001, by assessing an additional \$412,000 in occupational license fees and collecting \$405,000 for the fiscal year ended. The total life-to-date collections for this program exceed \$1,421,000. During this fiscal year, we increased assessments on 1099's issued up thru the 2003 tax years, which resulted in additional collections of \$755,000.

During this fiscal year, we added staff to our recently established Compliance Division. Their efforts resulted in 153 new registrations, 306 ongoing investigations and found 199 taxpayers to be compliant.

Our Collection and Legal Division staff was very successful in helping taxpayers close 13,085 delinquent tax periods, resulting in the additional collections of delinquent taxes, interest and penalties of \$3,900,000. They also researched and updated more than 11,000 taxpayer bad addresses.

Our Document Management Division prepared and scanned over 352,000 source documents, which included 962,000 pages. In addition, they processed over 275,000 monetary transactions from those filed source documents.

This past fiscal year our Taxpayer Processing and Service Division responded to 52,000 telephone inquiries and assisted over 5,100 taxpayer walk-ins to resolve issues and process payments. Processing staff performed 9,800 new registrations and processed 350,000 tax deposits, payments and returns. The Division's staff this past year made 49,000 taxpayer account address changes in our databases. We processed a 162 credit card payments for the year and anticipated that growth in these types of payments.

The Systems Development staff made numerous enhancements to the tax administration system, RevTech21. The Revenue Commission's continues to emphasize the highest levels of system security, data security and recovery policies to ensure proper controls and system integrity. This past year we installed a new SANS, Storage Area Network unit, to provide for automatic server failover and to mirror image our systems to an off site for real time backup capability. During the year, we also made a number of workplace improvements in the areas of systems, information, and personnel security – plus improvements in the general employee work environment. Our Web site received 64,000 visits last fiscal year from businesses and individuals. We expect this trend to grow higher next year with the offering of electronic filing for certain forms.

We will continue working on form changes and any other necessary merger-related system changes during the next fiscal year to meet the needs of our new merged government.

The Metro Revenue Commission continues to take an active role in KOLA, Kentucky Occupational License Association, to standardize regulations and forms within all jurisdictions. We currently host the KOLA website and provide downloadable forms and information for all other jurisdictions collecting an occupational license fee. We have added linkages from our website to both KOLA and several other beneficial taxpayer links.

The Metro Revenue Commission will continue to review ordinances and regulations pertaining to our day-to-day operations and updating our by-laws as needed under merged government.

We will continue our long-range plans to upgrade our tax administration system and monitor our Agency needs. We will be continuing to improve the taxpayer's ability to file their information timely, including the electronic filing of returns and payments.

Louisville/Jefferson County Metro Government ordinances require an annual audit by independent certified public accountants. The Commission's Audit Committee selected the accounting firm of Strothman & Company PSC to perform this fiscal year's audit. Our auditors used Generally Accepted Auditing Standards in conducting this engagement. Our component unit financial statements, combined and individual fund statements, supplemental schedules, and the auditor's report are included in the financial section of this report.

Letter of Transmittal—Comprehensive Annual Financial Report  
October 26, 2004

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Louisville/Jefferson County Metro Revenue Commission for its Comprehensive Annual Financial Report for the fiscal year ending June 30, 2003. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of a state and local government financial report.

In order to receive a Certificate of Achievement award, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. The comprehensive annual financial report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Louisville/Jefferson County Metro Revenue Commission has received a Certificate of Achievement for the last fourteen years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we will be submitting it to GFOA.

I want to thank the Mayor, the members of the Metro Council, and all the employees of the Louisville/Jefferson County Metro Revenue Commission for their support, and especially those who assisted and contributed in the preparation of this report, I express my appreciation.

Respectfully submitted,

*Wm Michael Tronzo*

Wm. Michael Tronzo



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Louisville/Jefferson County  
Metro Revenue Commission,  
Kentucky

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2003

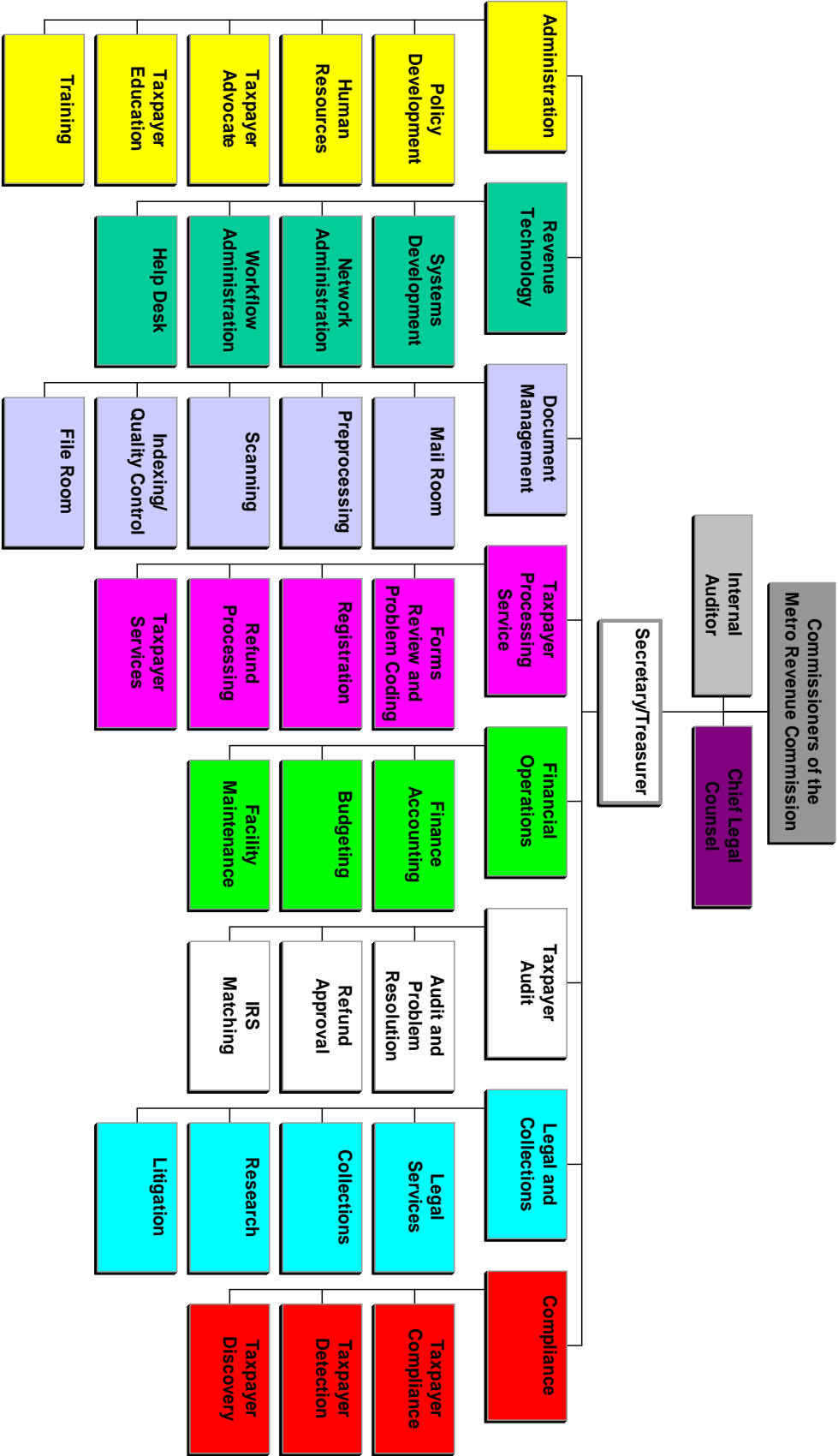
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Louisville/Jefferson County Metro Revenue Commission  
Organization Chart  
June 2004



# **Louisville/Jefferson County Metro Revenue Commission**

**JUNE 30, 2004**


## **Commissioners**

G. Raymond Crider, Sr., President – Appointed	October 1, 2004
Russell Riedling, Vice-President – Appointed	October 1, 2005
Roger Conwell, Jr., Vice-President – Appointed	October 1, 2004
Honorable Jerry E. Abramson, Mayor City of Louisville/Jefferson County Metro Government	January 1, 2007
President Kelly Downard Louisville Metro Council	December 31, 2006
Dr. Stephen W. Daeschner, Superintendent Jefferson County Public School System	June 30, 2005

## **FINANCIAL SECTION**



## Independent Auditors' Report



Commissioners  
Louisville/Jefferson County Metro Revenue Commission  
Louisville, Kentucky

We have audited the accompanying financial statements of proprietary fund and fiduciary funds of the Louisville/Jefferson County Metro Revenue Commission (the "Metro Revenue Commission"), as of and for the year ended June 30, 2004, as indicated in the accompanying table of contents, which collectively comprise the Metro Revenue Commission's basic financial statements. These financial statements are the responsibility of the Metro Revenue Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Metro Revenue Commission's proprietary fund and fiduciary funds as of June 30, 2004, and the changes in its proprietary fund's net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2004 on our consideration of the Metro Revenue Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 16 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Metro Revenue Commission's basic financial statements. The budget comparison on page 31 and the combining and individual fund financial statements on pages 32 through 40 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such budget comparison combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information presented in the introductory section on pages i through vi and in the statistical section on pages 41 through 49 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Strothman & Company PSC*

Louisville, Kentucky  
September 5, 2004

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The management team of the Louisville/Jefferson County Metro Revenue Commission (the "Metro Revenue Commission") presents this discussion and analysis of the Agency's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the transmittal letter on pages i-iii and the Agency's financial statements, which begin on page 17.

### **Financial Statements**

The financial section includes the government wide financial statements and the combining and individual fund financial statements, schedules, as well as, the independent auditors' report on these financial statements and schedules. The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multiyear basis.

These financial statements include all of the funds of the Louisville/Jefferson County Metro Revenue Commission ("Metro Revenue Commission"). The Metro Revenue Commission is a component unit of the Louisville/Jefferson County Metro Government ("Metro Government"). The Metro Government was formed on January 6, 2003 from merger of the City of Louisville and Jefferson County governments. The financial statements of fiduciary funds are included because the Metro Revenue Commission is financially accountable for those resources, even though they belong to other parties. The City Accounts Agency Funds account for the various duties of the Metro Revenue Commission. The Metro Revenue Commission collects and distributes the Louisville Water Company dividends to the Metro Government. It remits money to paying agents for payment of debt service requirements of the general obligation bonds of the Metro Government. The County, School Boards and Mass Transit Accounts Agency Funds hold the collection of the occupational and insurance premiums license fees for these local government units. The Transient Room Tax Accounts Agency Fund contains the collection of the transient room tax for the Greater Louisville Convention and Visitors Bureau and the Kentucky Center and pays the debt service on bonds issued by the Greater Louisville Convention and Visitors Bureau for the expansion of Commonwealth Convention Center.

## FINANCIAL HIGHLIGHTS

Following are explanations for some of the most significant changes in our financial statements:

- Deferred Revenue and Refunds Payable (Current Liabilities) decreased by \$6,511,784 generating a 16.54% decrease in Net Assets (Table 1). During 2004, special efforts were given to resolving problems on accounts requesting refunds. This greatly reduced the reserve balance available for investing. As a result, Current Assets decreased 17.03%.

<b>Table 1</b>				
<b>Condensed Statement of Net Assets</b>				
	<u>FY</u> <u>2004</u>	<u>FY</u> <u>2003</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Current Assets	\$ 39,523,358	\$ 47,634,610	\$ (8,111,252)	(17.03) %
Capital Assets, Net	<u>1,089,405</u>	<u>1,667,643</u>	<u>(578,238)</u>	<u>(34.67)</u>
Total Assets	<u>\$ 40,612,763</u>	<u>\$ 49,302,253</u>	<u>\$ (8,689,490)</u>	<u>(17.62) %</u>
Current Liabilities	\$ 7,242,555	\$ 12,628,093	\$ (5,385,538)	(42.65) %
Due to Other Funds	<u>32,905,690</u>	<u>35,108,343</u>	<u>(2,202,653)</u>	<u>(6.27)</u>
Total Liabilities	40,148,245	47,736,436	(7,588,191)	(15.90)
Invested in Capital Assets, Net	898,274	1,465,817	(567,543)	(38.72)
Restricted For Capital Projects	<u>100,000</u>	<u>100,000</u>	<u>0</u>	<u>0.00</u>
Total Liabilities and Net Assets	<u>\$ 41,146,519</u>	<u>\$ 49,302,253</u>	<u>\$ (8,155,734)</u>	<u>(16.54) %</u>

- "Capital Assets, Net" decreased 34.67% (Table 1) due to the reduce purchasing of capitalized items during the year and the recognition of a full year depreciation on most of the assets that have been capitalized.
- The Metro Revenue Commission's net assets decreased 36.25% (Table 2) last year due to depreciation of capitalized assets.
- No additional funds were retained in 2004 for the purchase of an ACD (Automated Call Distribution) system so the 'Transfer from City Accounts' is favorable 100%.

<b>Table 2</b>				
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Assets</b>				
	<u>FY</u> <u>2004</u>	<u>FY</u> <u>2003</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Total Operating Revenues	\$ 4,601,021	\$ 4,852,726	\$ (251,705)	(5.19) %
Depreciation	654,715	705,986	(51,271)	(7.26)
Other Operating Expenses	<u>4,509,564</u>	<u>4,775,604</u>	<u>(266,040)</u>	<u>(5.57)</u>
Total Expenses	5,164,279	5,481,590	(317,311)	(5.79)
Loss on Disposal of Equipment	(4,285)	(8,390)	4,105	(48.93)
Transfer to / from City Accounts	<u>0</u>	<u>(100,000)</u>	<u>100,000</u>	<u>100.00</u>
Changes in Net Assets	(567,543)	(537,254)	(30,289)	5.64
Beginning Net Assets	<u>1,565,817</u>	<u>2,103,071</u>	<u>(537,254)</u>	<u>(25.55)</u>
Ending Net Assets	<u>\$ 998,274</u>	<u>\$ 1,565,817</u>	<u>\$ (567,543)</u>	<u>(36.25) %</u>



## FINANCIAL HIGHLIGHTS

**Table 3**  
**Comparison of Operating Revenue to the Prior Year**

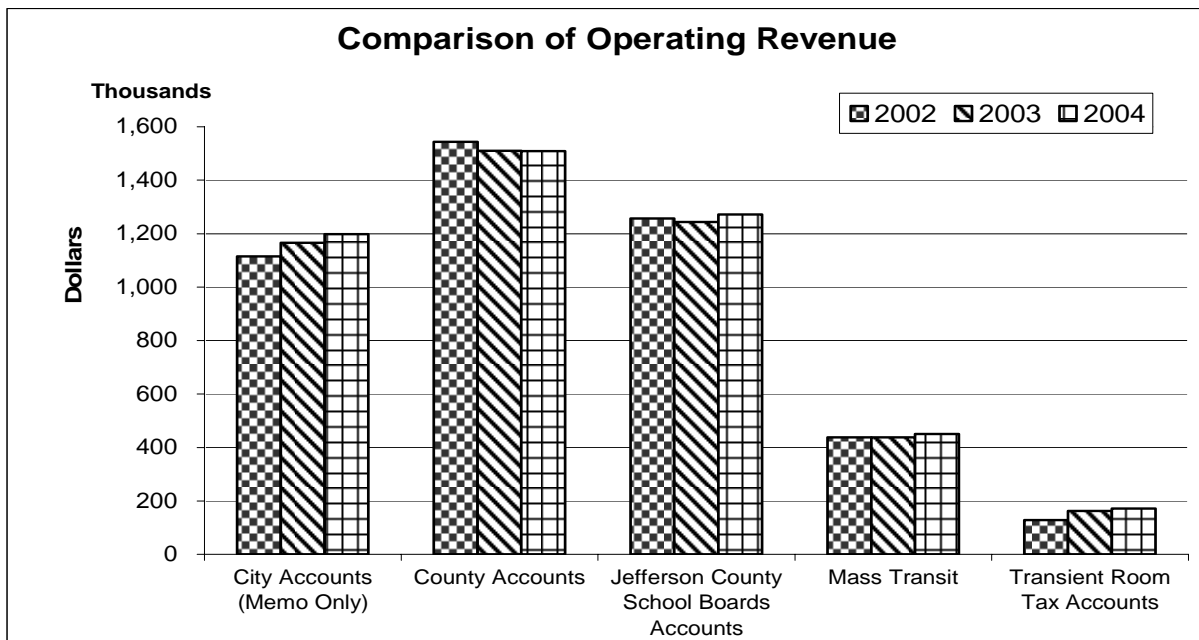
**Fees for Collection of All Taxes except Delinquent Property Taxes**

	Collection Fees 2004	Collection Fees 2003	Increase (Decrease)	%
City Accounts (Memorandum Only)	\$ 1,198,523	\$ 1,165,904	\$ 32,619	2.80 %
County Accounts	1,508,431	1,509,432	(1,001)	(0.07)
Jefferson County School Boards Accounts	1,271,891	1,242,992	28,899	2.32
Mass Transit	450,442	437,464	12,978	2.97
Transient Room Tax Accounts	171,734	162,544	9,190	5.65
Subtotal-Revenue	4,601,021	4,518,336	82,685	1.83

**Collections of Delinquent Property Taxes - City Accounts (only)**

General Fund Appropriation		334,390	(334,390)	(100.00)
Total	<u>\$ 4,601,021</u>	<u>\$ 4,852,726</u>	<u>\$ (251,705)</u>	<u>(5.19) %</u>

- Metro Revenue Commission ceased collecting Louisville Metro's delinquent property taxes in May, 2003. This function is now performed by the Jefferson County Attorney Office.



Metro Revenue Commission experienced 1.83% increase in revenue for the fiscal year ended June 30, 2004. Collections Fees are what the Commission uses to pay its operating expenditures during the year. Collection Fees are assessed at 1.35% of tax collections for the fiscal year. The Transient Room Tax Accounts Agency is charged a 1.25% collection fee and a 10% investment income fee.

## FINANCIAL HIGHLIGHTS

The following is an analysis of the Metro Revenue Commission's operating expenses, as summarized in Table 4.

- Total Operating Expenses excluding depreciation decreased 5.8%.
- The decrease in Salaries/Employee benefits is directly related to experiencing a higher number of vacancies during the year.
- Equipment Maintenance and Repair category was evaluated in 2003. In mid-year 2003, certain charges were expensed to Software Licenses and Building and Office Expense versus Equipment Maintenance and Repair. The net decrease in expenses of 27% for these accounts was the result of the software renewal dates not being applicable to this year.
- To better control cost, 'Postage' and 'Forms and Printing' expenses for bulk mailings were split out separately this year. Emphases were placed on minimizing the printing and mail process costs.
- Court Fees and Costs increased 19.9% this year. The increase can be attributed to an increase in occupational civil suits filed, in turn increasing the servicing and the filing of judgment liens, etc.
- Professional Services were lower this year due to the reduction of contractual labor hours.
- Miscellaneous costs include temporary help services and the relocation costs associated with our mobile filing system.

**Table 4**  
**Operating Expenses**  
**Years Ended June 30**

	2004 Amount	Percent of Total	2003 Amount	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Salaries/Employee Benefits	\$ 3,160,213	61.2 %	\$ 3,441,613	\$ (281,400)	(8.2) %
Computer Services	26,700	0.5	26,708	(8)	(0.0)
Building Rent	192,518	3.7	188,519	3,999	2.1
Building and Office Expense	25,445	0.5	44,313	(18,868)	(42.6)
Professional Services	397,773	7.7	423,401	(25,628)	(6.1)
Postage	278,584	5.4	313,607	(35,023)	(11.2)
Forms and Printing	79,429	1.5	24,763	54,666	220.8
Equipment Maintenance and Repair	29,137	0.6	77,213	(48,076)	(62.3)
Equipment Purchases	63,956	1.2	18,918	45,038	238.1
Software Licenses	68,268	1.3	45,005	23,263	51.7
Supplies	34,647	0.7	39,402	(4,755)	(12.1)
Telephone	41,797	0.8	46,183	(4,386)	(9.5)
Court Fees and Costs	32,965	0.6	27,505	5,460	19.9
Travel	2,781	0.1	2,526	255	10.1
Miscellaneous	75,351	1.5	55,928	19,423	34.7
Total not including depreciation	4,509,564	87.3	4,775,604	(266,040)	(5.6)
Depreciation	654,715	12.7	705,986	(51,271)	(7.3)
Total Operating Expenses	<u>\$ 5,164,279</u>	<u>100.0 %</u>	<u>\$ 5,481,590</u>	<u>\$ (317,311)</u>	<u>(5.8) %</u>

## REVENUES

The Metro Revenue Commission's gross receipts for the year ended June 30, 2004, including gross license tax collections made on behalf of the Metro Government (City Accounts and County Accounts), Mass Transit Trust Fund and the local school boards, totaled \$417,325,631. A breakdown of the Metro Revenue Commission's gross receipts (including collections from other local government agencies) for the years ended June 30, 2004 and 2003 are as follows:

	<b>Years Ended June 30</b>		<b>Amount of</b>	<b>Percent of</b>
	<b>2004</b>	<b>2003</b>	<b>Increase</b>	<b>Increase</b>
	<b>Amount</b>	<b>Amount</b>	<b>(Decrease)</b>	<b>(Decrease)</b>
Allocable to City Accounts:				
1 1/4% occupational license tax*	\$ 120,897,509	\$ 115,074,371	\$ 5,823,138	5.06 %
Delinquency collections	0	1,334,210	(1,334,210)	(100.00)
Insurance premiums tax	40,712,126	37,281,424	3,430,702	9.20
All other license fees and taxes	75,916	62,803	13,113	20.88
Investment income	256,117	370,420	(114,303)	(30.86)
Louisville Water Co. dividend	11,975,101	12,434,830	(459,729)	(3.70)
LWC dividend prepayment	533,756	0	533,756	100.00
Collection fee income	3,401,594	3,351,160	50,434	1.50
Investment fee income	904	1,272	(368)	(28.93)
<b>TOTAL CITY ACCOUNTS</b>	<b>177,853,023</b>	<b>169,910,490</b>	<b>7,942,533</b>	<b>4.67</b>
Allocable to County Accounts:				
1 1/4 occupational license tax*	86,418,723	86,512,728	(94,005)	(0.11)
Insurance premiums tax	15,019,918	14,510,633	509,285	3.51
Collection Fee	(1,508,431)	(1,509,432)	1,001	(0.07)
Investment income	84,696	118,270	(33,574)	(28.39)
Transient room tax*	13,666,425	12,901,746	764,679	5.93
Collection/Investment Fee	(171,734)	(162,544)	(9,190)	5.65
Investment income	9,036	12,726	(3,690)	(29.00)
<b>TOTAL COUNTY ACCOUNTS</b>	<b>113,518,633</b>	<b>112,384,127</b>	<b>1,134,506</b>	<b>1.01</b>
Allocable to Public School Boards:				
3/4% occupational license tax*	94,214,129	92,073,456	2,140,673	2.32
Collection Fee	(1,271,891)	(1,242,992)	(28,899)	2.32
Investment income	70,981	96,149	(25,168)	(26.18)
<b>TOTAL SCHOOL BOARDS</b>	<b>93,013,219</b>	<b>90,926,613</b>	<b>2,086,606</b>	<b>2.29</b>
Allocable to City-County Mass Transit Trust Fund:				
1/5% occupational license tax*	33,366,054	32,404,704	961,350	2.97
Collection Fee	(450,442)	(437,464)	(12,978)	2.97
Investment income	25,144	34,133	(8,989)	(26.34)
<b>TOTAL MASS TRANSIT</b>	<b>32,940,756</b>	<b>32,001,373</b>	<b>939,383</b>	<b>2.94</b>
<b>GRAND TOTAL</b>	<b>\$ 417,325,631</b>	<b>\$ 405,222,603</b>	<b>\$ 12,103,028</b>	<b>2.99</b>

\*This includes penalties and interest (for late filing and late payments).

## REVENUES

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- Administrative costs were 1.24% of total collections for the year ended June 30, 2004 compared with 1.35% for 2003 and 1.33% for 2002.
- Delinquency collections for property taxes decreased because the Louisville/Jefferson County Metro Revenue Commission ceased collection on these taxes on May 31, 2003. The Jefferson County Attorney's office assumed this function as a result of the merger agreement for the City of Louisville and Jefferson County governments.
- Insurance premiums tax increased 7.61% for the City and County Accounts due to the rising costs associated with casualty, vehicle and health care insurance coverage.
- An increase of 20.88% in 'All other license fees and taxes' is the result of an increase in truck stickers' license fee collections. Louisville/Jefferson County Metro Revenue Commission accessed the Jefferson County vehicle registration files for billing purposes this year.
- Investment Income was down approximately 26% from last year. We are still investing in a financial market currently experiencing low yields.

Cash temporarily idle during the year was invested in repurchase agreements and municipal bond issues. The maturities of the investments range from 1 day to 90 days.

The Commission's investment policy is designed to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, all of the deposits and investments were either insured by federal depository insurance or collateralized.

- Louisville Water Co. Dividend decreased 3.70% and a 2003 prepayment liability was set up. Payment of dividends by Louisville Water Company (LWC) is governed by Section 508 of the Series 1992 Water System Revenue Bond Resolution of the Board of Water Works. This resolution provides that LWC will pay to the Louisville/Jefferson County Revenue Commission an annual dividend on the LWC stock owned by the Louisville Metro. The dividend for 2003, paid based on budgeted net income, was required after completion of the annual audit to reflect the difference between estimated and actual net income. The amount of such adjustments is to be paid with or deducted from the regular quarterly dividend payments. The 2003 LWC net income of \$24,580,534 required a total 2003 dividend to the Louisville Metro of \$11,251,319. The total dividends declared and paid during 2003 was \$12,318,832. This resulted in an amount of \$1,067,516 to be deducted from the regular quarterly 2004 dividend payments. The LWC 2004 Annual Budget provides for a budgeted annual dividend of \$12,698,880, with quarterly dividend payments of \$3,174,720. LWC staff developed and implemented a revised financial plan which will offset the effect of the dividend adjustment and allow for the 2004 dividend to be paid at the budgeted amount.
- Transient room taxes increased 5.93% due to increases in occupancy and the cost of rooms during the year.

**BUDGETARY HIGHLIGHTS**

The Louisville/Jefferson County Metro Revenue Commission adopted a continuation budget for the fiscal year 2004. A formal budget was recommended by the Commission, submitted to the Mayor, and approved by the Metro Council. The budget is an integral part of the accounting system providing management control over expenses.

Operating revenue was budgeted at \$5,297,700 and actual fee collections were \$4,601,021. The Metro Revenue Commission experienced 1.83% increase in revenue (excluding Delinquent Property Taxes) for the fiscal year end June 30, 2004 (see Table 3, page 5). By Ordinance, the Metro Revenue Commission retains only those fees required to meet current year expenses. The agency experienced a reduction in receipts because the surplus retained from the collection fees and budget, \$856,222 were transferred to the Metro Government's General Fund before the end of the fiscal year.

<b>Actual Operating Expenses Compared to Budget 2004</b>				
	<b>Budget 2004</b>	<b>Actual 2004</b>	<b>Favorable (Unfavorable) Variance</b>	<b>Percent Variance</b>
Salaries, less adjustments	\$ 3,637,800	\$ 3,170,909	\$ 466,891	12.83 %
Computer Services	0	26,700	(26,700)	(100.00)
Building Rent	200,900	192,518	8,382	4.17
Building and Office Expense	47,200	25,445	21,755	46.09
Professional Services	524,400	397,773	126,627	24.15
Postage	290,000	278,584	11,416	3.94
Forms and Printing	20,000	79,429	(59,429)	(297.15)
Equipment Maintenance and Repair	37,400	29,137	8,263	22.09
Equipment Purchases	144,000	63,956	80,044	55.59
Software Licenses	163,800	68,268	95,532	58.32
Capitalized Purchases	0	80,761	(80,761)	(100.00)
Supplies	48,000	34,647	13,353	27.82
Temporary Help	17,200	20,963	(3,763)	(21.88)
Telephone	45,400	41,797	3,603	7.94
Court Fees and Costs, less reimbursed	40,000	32,965	7,035	17.59
Travel	15,300	2,781	12,519	81.82
Miscellaneous	66,300	54,388	11,912	17.97
<b>Total Operating Expenses</b>	<b>\$ 5,297,700</b>	<b>\$ 4,601,021</b>	<b>\$ 696,679</b>	<b>13.15 %</b>
The Agency does not budget separately for Capital Purchases but uses current year unencumbered funds to cover these expenses.				
<b><u>Reconciliation to Statement of Revenues, Expenses and Net Assets</u></b>				
Total Expenses		\$ 4,601,021		
Capital Purchases		(80,761)		
Depreciation		654,715		
Other		(10,696)		
<b>Total Operating Expenses</b>		<b>\$ 5,164,279</b>		

## **BUDGETARY HIGHLIGHTS**

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Following is a discussion of the more significant variations from budget.

- Salaries are 12.83% favorable for the year due to a higher number of position vacancies during the year.
- Building Rent is favorable due to movement of our archives from rental property to government owned facility.
- Building and Office Expense is favorable due to increased control of expenses.
- Professional Services is 24.15% favorable because the 2004 budget included a contingency for litigation that did not materialize.
- To better control cost, 'Postage' and 'Forms and Printing' expenses for bulk mailings were split out separately this year. Last year the costs of set-up and printing were included in our Postage account.
- Equipment Maintenance and Repair is favorable due to increased control of expenses.
- Capitalized Purchases/Equipment Purchases should be evaluated together, minor variance noted.
- Temporary Help was budgeted for seasonal helpers needed during the busy tax seasons and to process 1099 assessment information.
- Supplies were 27.82% favorable due to outsourcing some of the printing cost (paper and ink cartridges) associated with bulk mailings and also monitoring and controlling the ordering of supplies.
- Court fees and costs is 17.59% favorable due to a lower number of court cases than originally anticipated.
- Travel is 80.82% favorable because the Metro Revenue Commission took advantage of training offered nearby and only made necessary trips.

## CAPITAL ASSETS

The Metro Revenue Commission's capital assets include the cost of building a "client-server" Tax Administration System, personal computers, software and other computer peripherals. As you can tell from the chart below, our major decrease in capital assets is the realization of depreciation expense.

Capital Assets			
	June 30		
	2004	2003	Changes
Equipment and Software	\$4,457,687	\$4,421,112	\$ 36,575
Accumulated Depreciation	<u>(3,418,014)</u>	<u>(2,811,588)</u>	<u>(606,426)</u>
<b>Net Equipment and Software</b>	<b>1,039,673</b>	<b>1,609,524</b>	<b>(569,851)</b>
Furniture and Fixtures	458,824	438,703	20,121
Accumulated Depreciation	<u>(409,092)</u>	<u>(380,584)</u>	<u>28,508</u>
<b>Net Furniture and Fixtures</b>	<b><u>49,732</u></b>	<b><u>58,119</u></b>	<b><u>(8,387)</u></b>
 Total	 <u>\$1,089,405</u>	 <u>\$1,667,643</u>	 <u>(\$578,238)</u>

The following is a summary of some of the major capital assets purchased during the fiscal year 2004.

**Major capital assets additions include:**

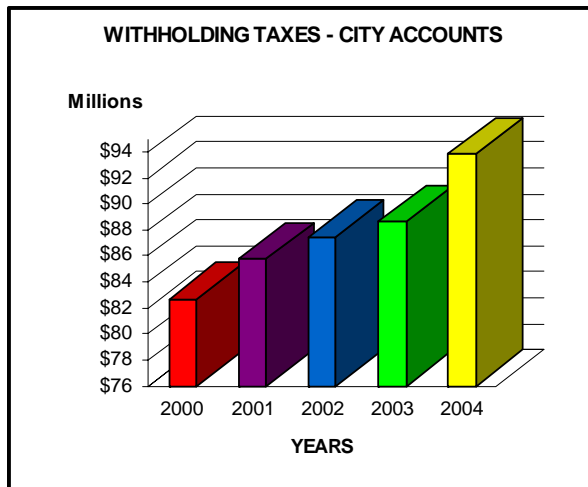
- \$20,120 Archival Racking and Installation
- \$60,641 Upgrades and replacement of computer equipment

Note: More detailed information on capital asset activity can be found in the notes to the financial statements on page 25, Note A, paragraph #6 and page 27, Note C.

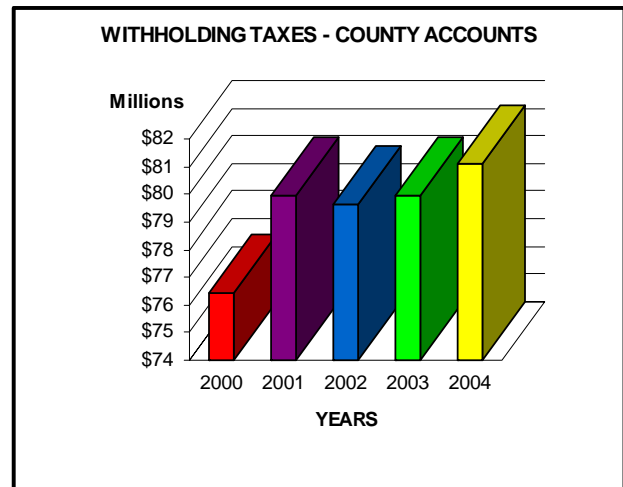
## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The following is a discussion of changes in tax collections for the last five years:

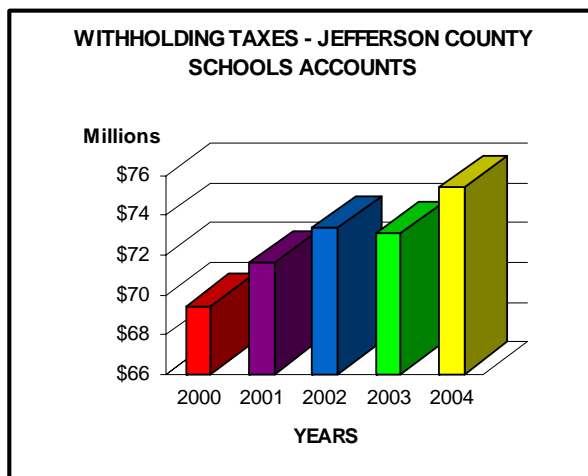
Total Withholding Taxes grew by 3.66% for fiscal year ended June 30, 2004. This increase was an improvement over last year and may reflect salary increases and job growth in our economy. Withholding Taxes percentage of increase for 2004 by agency is shown in the below graphs.



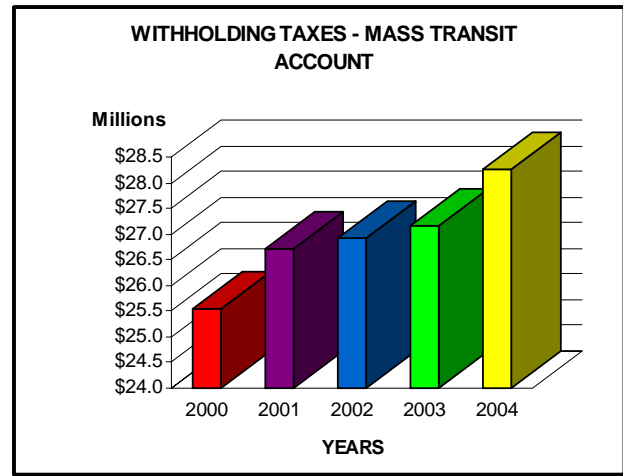
City Accounts 5.87%



County Accounts 1.49%



Jefferson County Schools Accounts 3.18%

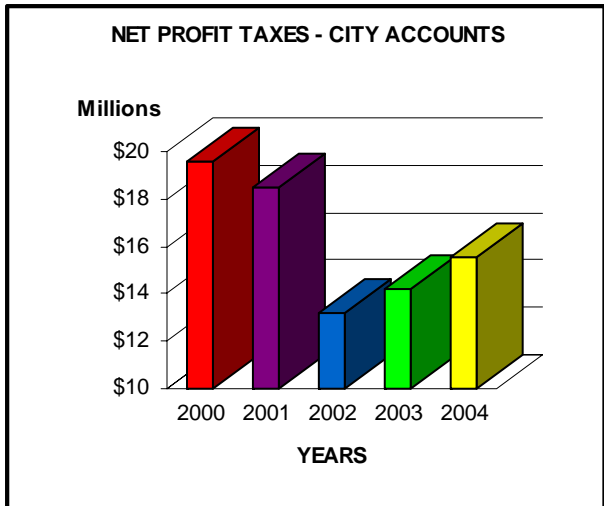


Mass Transit 4.08%

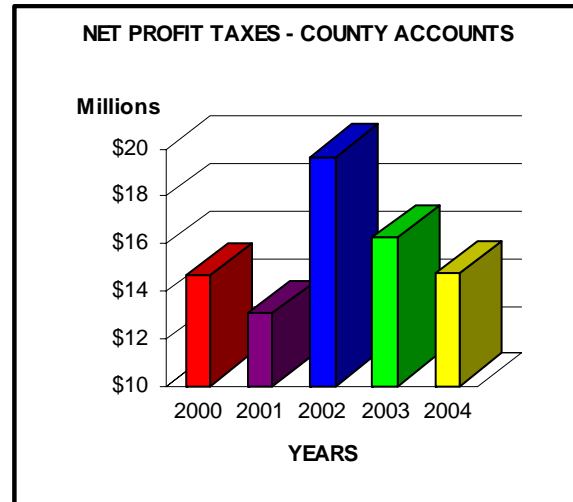


## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

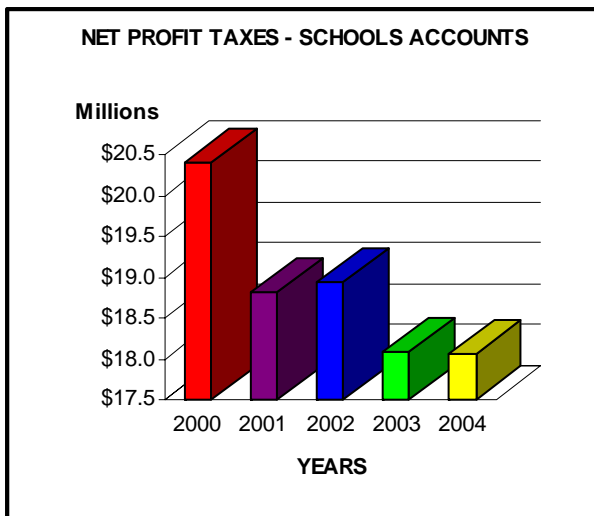
Total Net Profit Taxes decreased .73% for fiscal year ended June 30, 2004. This is a significant improvement over last year when it decreased 6.23%. Below are 2004 Net Profit Taxes by agency for the last five years:



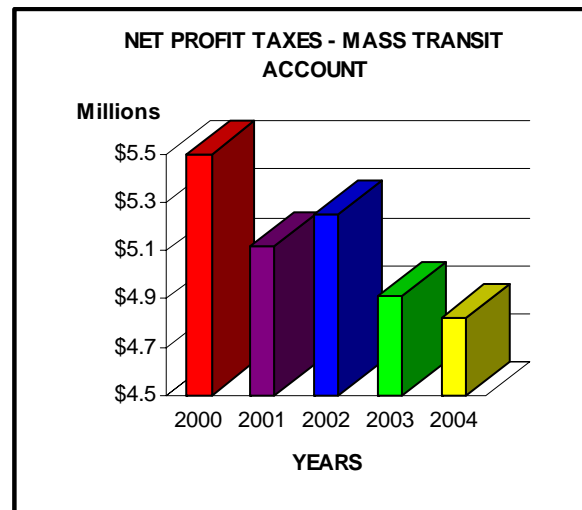
City Accounts 9.10%



County Accounts (9.57%)

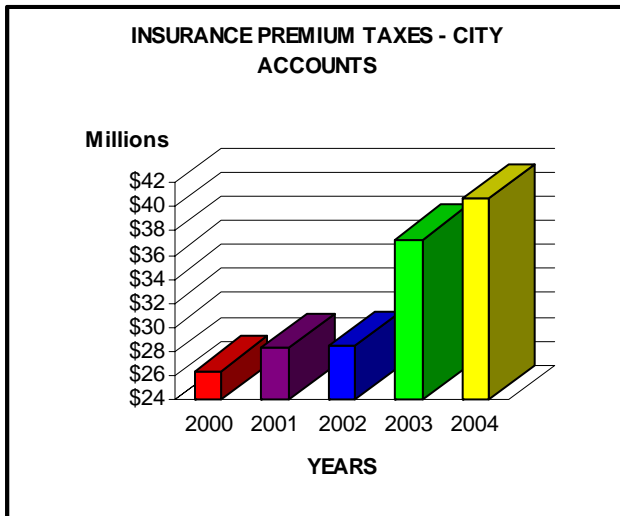


Jefferson County Schools Accounts .019%

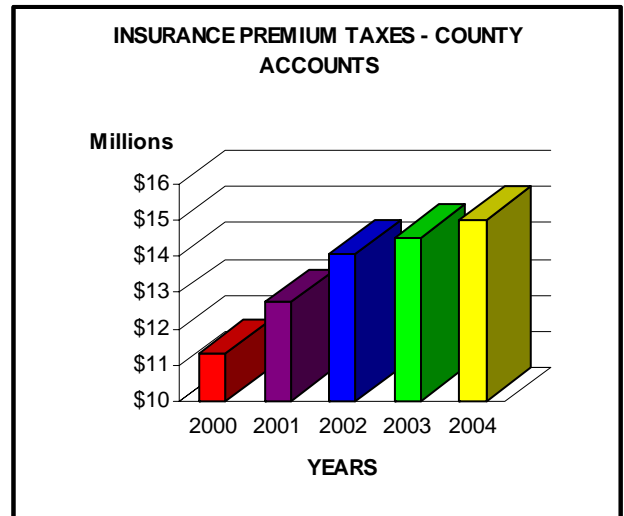


Mass Transit Account (1.91%)

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

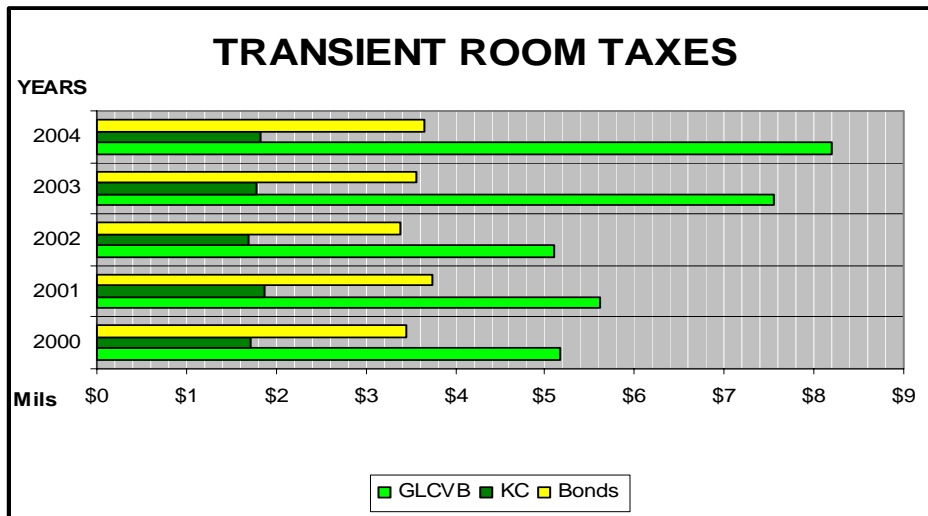


City Accounts 9.2%



County Accounts 3.5%

Total Insurance Premium Taxes experienced a 7.61% increase for fiscal year ended June 30, 2004. The above charts reflect the dollars collected for the city and county accounts for the last five years. The City Accounts are assessed on the following categories of insurance: (a) casualty; (b) automobile; (c) inland marine; (d) fire and allied perils; (e) health and (f) life. The County Accounts are assessed on all the previous categories except for health insurance.



Total Transient Room Taxes increased 5.93% for fiscal year ended June 30, 2004. This tax is an aggregate tax of seven and one half percent (7.5%) of the rent of occupancy of hotels/rooms during the month. Four and half percent (4.5%) of the transient room tax benefit the Greater Louisville Convention and Visitors Bureau (GLCVB), one percent (1.0%) benefits the Kentucky Center for the Performing Arts (KC) and two percent (2.0%) is used to retire Dedicated Tax Revenue Bonds issued by the Louisville/Jefferson County Tourism and Convention Commission. In August, 2002, the Greater Louisville Convention and Visitors Bureau's percentage was increased from three percent (3%) to four and half percent (4.5%) to promote additional tourist and convention business.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The approved budget for 2004 shows a 2.05% increase in revenue and expenses. The agency limited increases only to those that were necessary due to economic conditions.

<b>Budget 2004 Compared to Budget 2005</b>				
	<b>Budget 2005</b>	<b>Budget 2004</b>	<b>Increase (Decrease) Variance</b>	<b>Percent Variance</b>
Salaries, less adjustments	\$ 3,675,400	\$ 3,637,800	\$ 37,600	1.03 %
Building Rent	198,000	200,900	(2,900)	(1.44)
Building and Office Expense	42,800	47,200	(4,400)	(9.32)
Professional Services	646,000	524,400	121,600	23.19
Postage	207,000	290,000	(83,000)	(28.62)
Forms and Printing	125,000	20,000	105,000	525.00
Equipment Maintenance and Repair	28,000	37,400	(9,400)	(25.13)
Equipment Purchases	109,900	144,000	(34,100)	(23.68)
Software Licenses	130,000	163,800	(33,800)	(20.63)
Supplies	53,700	48,000	5,700	11.88
Temporary Help	19,200	17,200	2,000	11.63
Telephone	40,000	45,400	(5,400)	(11.89)
Court Fees and Costs, less reimbursed	40,000	40,000	0	0.00
Travel	14,000	15,300	(1,300)	(8.50)
Miscellaneous	77,500	66,300	11,200	16.89
<b>Total Expenditures</b>	<b>\$ 5,406,500</b>	<b>\$ 5,297,700</b>	<b>\$ 108,800</b>	<b>2.05 %</b>

Following is a discussion of the most significant changes in the 2005 budget as compared to the 2004 budget.

- Salaries increased by 2% for the raise declared by the Metro Government for non-union employees but decrease due to the relocating of our attorney within Jefferson County Attorney's office. This cost is now captured under Professional Services.
- Professional Services increase reflects the anticipated cost needed to evaluate, contract, and implement a plan for the electronic filing of tax returns and payments, and the cost of our attorney at the Jefferson County Attorney's office.
- Postage, Supplies and Forms and Printing categories were increased for anticipated cost in printing, mailing and postage due to expansion of taxpayer compliance and collection efforts.
- Technology support and licenses were reclassified from Equipment Maintenance and Repair to Software Licenses for control purposes and better classification of these charges.
- Temporary Help was budgeted for seasonal helpers needed during the busy tax seasons and to process 1099 assessment information for tax year 2003.
- Miscellaneous costs include advertising for vacant positions, training/educational seminars, courier service, dues/subscriptions and etc.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

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### **Contacting the Metro Revenue Commission's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Metro Revenue Commission's finances and to show Metro Revenue Commission's accountability for the money it receives. If you have questions about this report or need additional information, contact the Secretary-Treasurer of the Metro Revenue Commission, 101 South Eighth Street, Louisville, Kentucky 40202.

## **INTERNAL SERVICE FUND**

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Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

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The Internal Service Fund is used to account for the financial activities related to the administration of the Metro Revenue Commission's operations.

Statement of Net Assets - Proprietary Fund - Internal Service Fund

**Louisville/Jefferson County Metro Revenue Commission**

June 30, 2004

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 24,923,205
Investments	<u>14,600,153</u>

**Total Current Assets** 39,523,358

Capital assets, net of accumulated depreciation 1,089,405

**Total Assets** 40,612,763

**Liabilities**

**Current Liabilities**

Deferred revenue and refunds payable	5,584,720
Accounts payable and accrued expenses	932,948
Due to other funds	32,905,690
Accrued vacation wages payable	<u>191,131</u>

**Total Current Liabilities** 39,614,489

**Net Assets**

Restricted Funds	100,000
Invested in capital assets	<u>898,274</u>

**Total Net Assets** \$ 998,274

Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund  
- Internal Service Fund

**Louisville/Jefferson County Metro Revenue Commission**

Year Ended June 30, 2004

**Operating Revenues**

Collection, investment and other fees	\$ 3,402,498
Quasi-external service fees from Louisville/Jefferson County Metro Government	<u>1,198,523</u>

**Total Operating Revenues** 4,601,021

**Operating Expenses**

Salaries	2,529,369
Employee benefits:	
Health and life insurance	271,695
Pension	179,218
Payroll taxes	179,931
Computer services	26,700
Building rent	192,518
Building and office expense	25,445
Professional services	397,773
Postage	278,584
Forms and printing	79,429
Equipment maintenance and repair	29,137
Equipment purchases	63,956
Software licenses	68,268
Supplies	34,647
Telephone	41,797
Court fees and costs	32,965
Depreciation	654,715
Travel	2,781
Miscellaneous	<u>75,351</u>

**Total Operating Expenses** 5,164,279

**Operating Loss** (563,258)

**Nonoperating Revenues (Expense):**

Loss on disposal of equipment	<u>(4,285)</u>
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**Change in Net Assets** (567,543)

**Net Assets Beginning of Year** 1,565,817

**Net Assets End of Year** \$ 998,274

See Notes to Financial Statements

Statement of Cash Flows - Proprietary Fund - Internal Service Fund

**Louisville/Jefferson County Metro Revenue Commission**

Year Ended June 30, 2004

**Cash Flows From Operating Activities**

Net cash paid to taxpayers	\$ (3,543,831)
Cash paid to employees	(2,958,386)
Cash paid to suppliers	<u>(1,349,351)</u>

**Net Cash Used In Operating Activities** (7,851,568)

**Cash Flows from Investing Activities**

Net decrease in investments	32,099,745
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**Cash Flows From Capital Activities**

Purchase of capital assets	<u>(80,761)</u>
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**Net Increase in Cash** 24,167,416

**Cash Beginning of Year** 755,789

**Cash End of Year** \$ 24,923,205

**Reconciliation of Operating Loss to Net Cash**

**Used in Operating Activities**

Operating loss	\$ (563,258)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation expense	654,715
Changes in assets and liabilities	
Decrease in due from Louisville Water Company	712,679
Decrease in deferred revenue and refunds payable	(6,511,784)
Increase in accounts payable and accrued expenses	603,186
Decrease in due to other funds	(2,736,410)
Decrease in accrued vacation wages payable	(10,696)

**Net Cash Used In Operating Activities** \$ (7,851,568)

See Notes to Financial Statements



Statement of Fiduciary Net Assets - Agency Funds

**Louisville/Jefferson County Metro Revenue Commission**

June 30, 2004

**Assets**

Due from Internal Service Fund	\$ 32,905,690
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<b>Total Assets</b>	<b>\$ 32,905,690</b>
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**Liabilities**

Amounts held for Louisville/Jefferson County Metro Government, restricted for debt service	\$ 640,761
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Payable to Louisville Water Company-Prepaid Dividend	533,756
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Payable to Louisville/Jefferson County Metro Government:

City Accounts Agency Funds	13,550,904
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Mass Transit Trust Agency Fund	2,593,565
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County Accounts Agency Fund	6,983,516
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Transient Room Tax Accounts Agency Fund	1,245,117
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Payable to School Boards Accounts Agency Fund	7,358,071
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<b>Total Liabilities</b>	<b>\$ 32,905,690</b>
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See Notes to Financial Statements

**Louisville/Jefferson County Metro Revenue Commission**

June 30, 2004

**Note A--Description of Organization and Summary of Significant Accounting Policies**

The Louisville/Jefferson County Metro Revenue Commission (the "Metro Revenue Commission") was established by an Act of the Legislature of the Commonwealth of Kentucky in 1851. From 1982 to 2002, it operated as a component unit of the former City of Louisville, Kentucky. On January 6, 2003, the City of Louisville and the Jefferson County governments merged to create Louisville/Jefferson County Metro Government ("Metro Government").

The financial statements of the Metro Revenue Commission have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to government units. The Government Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. These financial statements follow the provisions of GASB No. 34, Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments and related standards.

The more significant of the Metro Revenue Commission's accounting policies are described below:

**1. Reporting Entity**

The Metro Revenue Commission's financial statements include all funds and accounts of its operations. The Metro Revenue Commission is financially dependent upon the Metro Government. Any excess in revenues over expenses of the Metro Revenue Commission is transferred to the Metro Government's General Fund. The Commissioners consist of the Mayor of the Metro Government, the Superintendent of the Jefferson County Public School System, the President of the Metro Council, and three members elected by the Metro Council. The budget of the Metro Revenue Commission is formally approved by the Metro Council. The existence and operations of the Metro Revenue Commission are governed by the Metro Government Ordinances.

The primary functions of the Metro Revenue Commission are: (1) the collection of license fees, certain taxes, and other charges, and the Louisville Water Company dividend for the Metro Government, (2) collection and remittance of monies to paying agents for payments of the debt service requirements of the general obligation bonds of the Metro Government, (3) payment of the Metro Revenue Commission's administrative cost to carry out its duties, and (4) remission to the Metro Government of any monies remaining after these obligations are met. In addition to these duties, the Metro Revenue Commission acts as a collecting agent of certain license fees and taxes for other local governmental units.

Continued

**Louisville/Jefferson County Metro Revenue Commission**

June 30, 2004

**Note A--Description of Organization and Summary of Significant Accounting Policies**  
--Continued

2. Basis of Presentation:

The accounts of the Metro Revenue Commission are organized on the basis of funds, each of which is a separate entity with its own self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses.

Resources are accounted for in individual funds based upon the purpose for which they are to be spent and the restrictions, if any, on the spending activities. The Metro Revenue Commission uses the following generic fund types in its activities:

Proprietary Fund Type

Internal Service Fund - The Internal Service Fund is used to account for the financial activities related to the administration of the Metro Revenue Commission's operations.

Fiduciary Fund Types

Fiduciary Fund Types have been established to account for monies collected on behalf of other governmental entities. Even though the City of Louisville and Jefferson County governments merged January 6, 2003, the Metro Revenue Commission was instructed to continue to account for City and County funds separately until July, 2004. In these financial statements, the term "City Accounts" refers to the former City of Louisville government and the term "County Accounts" relates to the former Jefferson County government.

City Accounts Agency Funds - The City Accounts Agency Funds account for the various duties of the Metro Revenue Commission. The following is a description of each of the City Accounts Agency Funds:

Tax Collections and Other Receipts Agency Fund - This fund is used to account for collection of license fees withheld by employers, license fees based on business net profits, insurance premium license fees, other special taxes, delinquent property taxes, interest and penalties, and interest earned on investments. These collections are then remitted monthly to the Metro Government, net of operating expenses paid by the Metro Revenue Commission and the current year debt service requirements on the Metro Government's general obligation bonds. Funds required to cover operating expenses are retained by the Internal Service Fund.

Louisville Water Company Agency Fund - The Metro Revenue Commission collects dividends on the stock of the Louisville Water Company. Dividends collected by the Metro Revenue Commission are then remitted to the Metro Government. The collection and subsequent remittance of these dividends are reflected in this agency fund.

Continued

**Louisville/Jefferson County Metro Revenue Commission**

June 30, 2004

**Note A--Description of Organization and Summary of Significant Accounting Policies**

--Continued

Current Debt Requirement Agency Fund - The Current Debt Requirement Agency Fund is used to accumulate funds from the Metro Government's tax collections to pay the annual bond principal and interest requirements on the Metro Government's general obligation bonds. Bond principal and interest requirements were \$1,450,000 and \$3,143,668, respectively, for the year ended June 30, 2004. The total amount of general obligation bonds is reported by the Metro Government in its financial statements.

County Accounts Agency Fund, School Boards Accounts Agency Fund, and Mass Transit Agency Fund - The Metro Revenue Commission collects the occupational license fees and insurance premium license fees for local governmental units in these three funds as follows:

<u>Governmental Unit</u>	<u>Agency Fund</u>
Louisville/Jefferson County Metro Government:	
County Accounts	County Accounts Agency Fund
Jefferson County Board of Education and Anchorage Independent School District	School Boards Accounts Agency Fund
Mass Transit Trust Fund	Mass Transit Trust Agency Fund

Collections made by the Metro Revenue Commission are accounted for in the respective agency fund. A collection fee of 1.35% of collections is charged by the Metro Revenue Commission. Remittances to the governmental units of the prior month's collections are made on the day following the Commissioners' regular monthly meeting.

Transient Room Tax Accounts Agency Fund - The Metro Revenue Commission collects the transient room tax for the Greater Louisville Convention and Visitors Bureau (the "Visitors Bureau") and the Kentucky Center for the Arts, and accounts for proceeds in the Transient Room Tax Accounts Agency Fund.

A collection fee of 1.25% of collections is charged by the Metro Revenue Commission. On the day following the regular monthly Commissioners' meeting, remittance is made to the Metro Government, which then disburses the tax collected to the Greater Louisville Convention and Visitors Bureau and the Kentucky Center for the Arts.

Continued

**Louisville/Jefferson County Metro Revenue Commission**

June 30, 2004

**Note A--Description of Organization and Summary of Significant Accounting Policies**

--Continued

3. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The proprietary fund operating statement presents increases, (e.g., revenues) and decreases (e.g., expenses) in net assets. The accrual basis of accounting is utilized by the proprietary fund. Collection fee revenue in the Internal Service Fund is recognized when the tax collection is made for a governmental unit. Expenses in the Internal Service Fund are recognized when the liability is incurred.

All agency funds are custodial in nature and do not involve measurement of the results of operations.

In accordance with the GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", the Metro Revenue Commission has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

The Metro Revenue Commission reports deferred revenue on its statement of net assets. The Metro Revenue Commission collects taxes on certain types of income with which the taxpayers disagree and for which the taxpayers have filed claims for refunds. The Metro Revenue Commission records such amounts as deferred revenue to preclude charging the various agencies a collection fee and to preclude premature distribution of the tax receipts to the respective governmental units until the disputes are resolved.

4. Budget and Budgetary Accounting

By ordinance, the Metro Revenue Commission's appropriations come from the Metro Government's tax collections in an amount sufficient to meet all of its expenses. Appropriations lapse at the end of the year. The Metro Revenue Commission's budget is first approved by the Commissioners, then submitted for approval by the Metro Council as part of the Metro Government's budget. The budget, which may be amended during the year, is adopted on a basis consistent with generally accepted accounting principles.

5. Interfund Transactions

All collections are received in the Internal Service Fund and recorded as a liability to the appropriate agency funds. All disbursements of collections to the various governmental units are made from the Internal Service Fund and recorded in the various agency funds through the interfund accounts. The agency funds use the accrual basis of accounting to recognize receivables and payables.

Continued

**Louisville/Jefferson County Metro Revenue Commission**

June 30, 2004

**Note A--Description of Organization and Summary of Significant Accounting Policies—Continued**

8. Statement of Cash Flows

For purposes of the statement of cash flows, the Metro Revenue Commission considers cash on hand and demand deposits to be cash and cash equivalents.

9. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, net assets, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note B--Deposits and Investments**

The deposits of the Metro Revenue Commission are categorized as either: (1) insured or collateralized with securities held by the Metro Revenue Commission or by its agent in the Metro Revenue Commission's name; (2) collateralized with securities held by the pledging financial institution's trust department or agent in the Metro Revenue Commission's name; or (3) uncollateralized.

The bank balances at June 30, 2004, including cash with paying agents, were \$ 25,946,243. All of the bank balances were covered by federal depository insurance or by collateral held in a federal reserve pledge account in the name of the Metro Revenue Commission (category 1).

Other collected amounts that have not been remitted to the various agencies are invested by the Metro Revenue Commission primarily in short-term Certificates of Deposit, U. S. Treasury notes and bills, paper guaranteed by U. S. government agencies, and collateralized overnight repurchase agreements. Investments are stated at cost plus accrued interest. Interest income is remitted to the Metro Government and to the various governmental units in accordance with an agreed-upon allocation formula. An investment fee of 10% of investment income is charged to the Transient Room Tax Accounts Agency Fund.

Continued

Notes to Financial Statements--Continued

**Louisville/Jefferson County Metro Revenue Commission**

June 30, 2004

**Note B--Deposits and Investments--Continued**

State statutes authorize the Metro Revenue Commission to invest in: (1) obligations of the United States and of its agencies and instrumentalities including such obligations subject to repurchase agreements from sources including, but not limited to, national or state banks chartered in Kentucky; (2) obligations backed by the full faith and credit of the United States or a U. S. government agency; (3) obligations of any corporation of the U. S. government; (4) highly rated collateralized or uncollateralized certificates of deposits, bankers' acceptances and commercial paper; (5) bonds or certificates of indebtedness of Kentucky and of its agencies and instrumentalities; (6) highly rated securities issued by a state or local government in the U. S.; and (7) shares of approved mutual funds, not to exceed 10% of the total funds available for investment.

The Metro Revenue Commission's investments are categorized as either: (1) insured or registered, or securities held by the Metro Revenue Commission or its agent in the Metro Revenue Commission's name; (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Metro Revenue Commission's name; or (3) uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Metro Revenue Commission's name.

All of the Metro Revenue Commission's investments at June 30, 2004 were U. S. government and agency obligations insured or registered, or securities held by its agents in the Metro Revenue Commission's name (category 1) and matured in July 2004. The carrying amount and fair value was approximately \$39,500,000.

**Note C--Capital Assets**

An analysis of proprietary fund capital assets at June 30, 2004 follows:

	July 1 2003	Additions	Disposals	June 30 2004
Equipment & software	\$ 4,421,112	\$ 60,641	\$ (24,066)	\$ 4,457,687
Accumulated depreciation	(2,811,588)	(626,207)	19,781	(3,418,014)
Net Equipment and software	1,609,524	(565,566)	(4,285)	1,039,673
Furniture & fixtures	438,703	20,121		458,824
Accumulated depreciation	(380,584)	(28,508)		(409,092)
Net Furniture and fixtures	58,119	(8,387)	0	49,732
<b>Capital Assets, Net of Accumulated Depreciation</b>	<b>\$ 1,667,643</b>	<b>\$ (573,953)</b>	<b>\$ (4,285)</b>	<b>\$ 1,089,405</b>

**Louisville/Jefferson County Metro Revenue Commission**

June 30, 2004

**Note D--Deferred Compensation**

The Metro Revenue Commission's employees are offered the opportunity to participate in the Metro Government deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

**Note E--Post-Employment Health Care Benefits**

Retired Metro Revenue Commission employees may receive some health care benefits from the County Employees' Retirement System (the "System") at no cost to the Metro Revenue Commission. The System provides group rates on medical insurance and health maintenance organization ("HMO") coverage for Metro Revenue Commission retirees. In addition, a retiree may pay the cost to obtain coverage for a spouse and dependent children at the same group rates. Participation in the medical insurance/HMO program is optional. Depending on years of service, the amount paid for a retiree by the System is based on the amount of a single coverage premium in the state contract, with the retiree paying any additional cost of coverage.

At June 30, 2004, eligibility categories, percentage of monthly premiums paid by the System and number of potential retiree participants follow:

<u>Years of Service</u>	<u>% of Monthly Premiums Paid by the System</u>	<u>Potential Retiree Participants</u>
Less than 4 years	0%	9
4 to 9 years	25%	25
10 to 14 years	50%	3
15 to 19 years	75%	11
20 or more years	100%	13

**Note F--Employee Retirement Systems**

All Metro Revenue Commission full-time employees, as Metro Government employees, participate in the County Employees' Retirement System, a cost-sharing, multi-employer state-wide defined benefit pension plan administered by the Kentucky Retirement System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members. Cost-of-living adjustments are provided at the discretion of the State legislature.



Notes to Financial Statements--Continued

**Louisville/Jefferson County Metro Revenue Commission**

June 30, 2004

**Note F--Employee Retirement Systems--Continued**

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the County Employees' Retirement System. That report may be obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601.

During the plan year ended June 30, 2004, covered Metro Revenue Commission employees were required by state statute to contribute 5% of their salary to the plan. The Metro Revenue Commission was required by the same statute to contribute at an actuarially determined rate of 7.34% during the year ended June 30, 2004. Contributions for the year ended June 30, 2004 were approximately \$300,000, which consisted of approximately \$179,000 from the Metro Revenue Commission and \$121,000 from employees. Total contributions to the plan for 2003 and 2002 were approximately \$287,000 and \$285,000, respectively. The above contributions were equal to the required contributions for each year.

**Note G--Related Party Transactions**

Although the Metro Revenue Commission operates as an independent agency and provides services to several governmental units including the Metro Government, the Jefferson County School Board, among others, it draws its authority to operate from the Metro Government Code of Ordinances. Any excess in revenues over expenses of the Metro Revenue Commission is transferred to the Metro Government General Fund.

The accompanying financial statements reflect \$200,000 in professional services incurred by the Metro Revenue Commission for services received from Metro Government. Additionally, quasi-external service fees received from Metro Government cover the operating costs incurred by the Metro Revenue Commission in the conduct of its duties, that are in excess of costs paid for with collection and investment fee revenues. Such quasi-external service fees are retained out of occupational taxes collected by the Metro Revenue Commission which would normally be paid to the General Fund of the Metro Government. Amounts retained by the Metro Revenue Commission to pay for these additional operating costs amounted to \$1,158,523 in 2004.

**Note H--Commitments**

The Metro Revenue Commission leases office space under an agreement requiring rental payments of approximately \$16,000 per month through June 2008. Rental expense under the agreement was \$182,518 for the year ended June 30, 2004. Rental of storage space under the agreement ceased April 2004, which was \$1,000 per month.

Notes to Financial Statements--Continued

**Louisville/Jefferson County Metro Revenue Commission**

June 30, 2004

**Note A--Description of Organization and Summary of Significant Accounting Policies**

--Continued

Details of interfund receivable and payable balances as of June 30, 2004 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Internal Service Fund		\$ 32,905,690
Agency Funds:		
Louisville/Jefferson County Metro Government:		
City Accounts Agency Funds:		
Amounts held for restricted debt service	\$ 640,761	
Tax Collections and Other Receipts Agency Fund	14,084,660	
Mass Transit Trust Agency Fund	2,593,565	
County Accounts Agency Fund	6,983,516	
Transient Room Tax Accounts Agency Fund	1,245,117	
School Boards Accounts Agency Fund	<u>7,358,071</u>	
	<u>\$ 32,905,690</u>	<u>\$ 32,905,690</u>

6. Capital Assets

Capital assets are recorded at cost. Furniture, fixtures and equipment are capitalized at \$1,500 or greater. Repairs and maintenance are recorded as expenses. Depreciation and accumulated depreciation are recorded for the proprietary fund only. Depreciation has been calculated on each class of depreciable property using the straight-line method, with one-half year's depreciation in the year of acquisition. The estimated useful lives are five years for equipment and ten years for furniture and fixtures.

7. Compensated Absences

Vested and accumulated vacation leave for employees of the Internal Service Fund is recorded as an expense and a liability as the benefits accrue to employees. Vacation pay may be accumulated up to 60 days.

Earned vacation pay, up to a maximum of 40 days, is payable upon termination of employment. Unpaid vacation earned at June 30, 2004 was approximately \$191,000, including applicable FICA and Medicare taxes.

In accordance with the provisions of Government Accounting Standards Board Statement No. 16, "Accounting for Compensated Absences", no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Sick leave, which has no maximum accumulation, is charged to expense when paid. Unpaid sick leave earned at June 30, 2004 was approximately \$655,000, including applicable FICA and Medicare taxes.

Continued

**Louisville/Jefferson County Metro Revenue Commission**

June 30, 2004

**Note I--Risk Management**

The Metro Revenue Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Insurance and Risk Management Fund ("Fund"), a former City of Louisville internal service fund, was established in 1976 to consolidate all of the City's insurance or self-insurance under a comprehensive risk management program. This program currently includes all Metro agencies. The Fund consists of a comprehensive self-insurance program relating to the following:

1. Automobile Liability: Self-insured up to \$300,000 per occurrence. Excess coverage is purchased through the Louisville Area Governmental Self-Insurance Trust ("LAGIT").
2. Worker's Compensation (covering all employees): Self-insured up to \$500,000 per occurrence. Excess coverage is purchased above these retained levels.
3. Unemployment Compensation: Completely self-insured.
4. Group Health Coverage: Various programs are available as an option to all full-time employees.
5. General Liability: Various general liability exposures self-insured up to \$300,000 per occurrence. Employer's liability has a \$1,300,000 per occurrence deductible (\$1,000,000 limit of liability above a \$300,000 self-insured retention is provided by an underlying commercial excess insurance policy). Excess coverage is purchased through LAGIT.
6. Automobile Physical Damage: Self-insured up to \$100,000 per occurrence. Excess coverage is purchased for catastrophic losses.
7. Real and Business Personal Property: Self-insured up to \$250,000 per occurrence, except for Flood Zone A which shall have a deductible of \$250,000 in addition to the amount of coverage available under the National Flood Insurance Program, whether purchased or not. Excess coverage is purchased on a blanket limit basis for all Metro properties through Louisville Area Governmental General Insurance Trust ("LAGGIT"), a property insurance trust.

## **Supplementary Information**

Budget Comparison - Proprietary Fund - Internal Service Fund

**Louisville/Jefferson County Metro Revenue Commission**

Year Ended June 30, 2004

	Budget 2004	Actual 2004	Favorable (Unfavorable) Variance	Percent Variance
<b>Operating Revenues</b>	<u>\$ 5,297,700</u>	<u>\$ 4,601,021</u>	<u>\$ 696,679</u>	<u>13.15%</u>
<b>Operating Expenses</b>				
Salaries, less adjustments	\$ 3,637,800	\$ 3,170,909	\$ 466,891	12.83%
Computer services	26,700	26,700	0	0.00%
Building rent	200,900	192,518	8,382	4.17%
Building and office expense	42,600	25,445	17,155	40.27%
Professional services	524,400	397,773	126,627	24.15%
Postage	292,400	278,584	13,816	4.73%
Forms and printing	20,000	79,429	(59,429)	-297.15%
Equipment maintenance and repair	41,800	29,137	12,663	30.29%
Equipment purchases	147,000	63,956	83,044	56.49%
Software licenses	137,100	68,268	68,832	50.21%
Capitalized purchases	0	80,761	(80,761)	-100.00%
Supplies	48,000	34,647	13,353	27.82%
Telephone	45,400	41,797	3,603	7.94%
Court fees and costs, less reimbursed	40,000	32,965	7,035	17.59%
Travel	15,300	2,781	12,519	81.82%
Miscellaneous	78,300	75,351	2,949	3.77%
<b>Total Operating Expenses</b>	<u>\$ 5,297,700</u>	<u>\$ 4,601,021</u>	<u>\$ 696,679</u>	<u>13.15%</u>

**Reconciliation to Statement of Revenue, Expenses and Changes in Net Assets**

Total Expenses	\$ 4,601,021
Capital purchases	(80,761)
Depreciation	654,715
Other	<u>(10,696)</u>

**Total Operating Expenses per  
Statements of Revenues, Expenses,  
and Changes in Net Assets** \$ 5,164,279

**Combining and Individual Fund  
Financial Statements**

## **AGENCY FUNDS**

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Agency Funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

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City Accounts Agency Funds account for the various duties of the Metro Revenue Commission as set forth in Metro Government Code of Ordinances Section 32.110.

The County Accounts Agency Fund, School Boards Accounts Agency Fund and Mass Transit Trust Agency Fund are used to account for the collection and dispersal of occupational license fees for local government units.

The Transient Room Tax Accounts Agency Fund collects the transient room tax for the Greater Louisville Convention and Visitors Bureau and the Kentucky Center and also for the debt service on the Greater Louisville Convention and Visitors Commission Dedicated Tax Revenue Bonds of 1995.

Combining Statement of Fiduciary Net Assets - All Agency Funds

**Louisville/Jefferson County Metro Revenue Commission**

June 30, 2004

	City Accounts Agency Funds	County Accounts Agency Fund	School Boards Accounts Agency Fund	Mass Transit Trust Agency Fund	Transient Room Tax Accounts Agency Fund	Totals
<b>Assets</b>						
Due from Internal Service Fund	\$ 14,725,421	\$ 6,983,516	\$ 7,358,071	\$ 2,593,565	\$ 1,245,117	\$ 32,905,690
<b>Total Assets</b>	<u>\$ 14,725,421</u>	<u>\$ 6,983,516</u>	<u>\$ 7,358,071</u>	<u>\$ 2,593,565</u>	<u>\$ 1,245,117</u>	<u>\$ 32,905,690</u>
<b>Liabilities</b>						
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 640,761					\$ 640,761
Payable to Louisville Water Company	533,756					533,756
Payable to Louisville/Jefferson County Metro Government:						
City Accounts						
Agency Funds	13,550,904					13,550,904
Mass Transit Trust						
Agency Fund				\$ 2,593,565		2,593,565
County Accounts						
Agency Fund		\$ 6,983,516				6,983,516
Transient Room Tax Accounts						
Agency Fund					\$ 1,245,117	1,245,117
Payable to School Boards Accounts Agency Fund			\$ 7,358,071			7,358,071
<b>Total Liabilities</b>	<u>\$ 14,725,421</u>	<u>\$ 6,983,516</u>	<u>\$ 7,358,071</u>	<u>\$ 2,593,565</u>	<u>\$ 1,245,117</u>	<u>\$ 32,905,690</u>



Combining Statement of Changes in Assets and Liabilities - All Agency Funds

**Louisville/Jefferson County Metro Revenue Commission**

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<b><u>City Accounts Agency Funds</u></b>				
<b>Assets</b>				
Cash with paying agent	\$ 21,600	\$ 4,054,698	\$ 4,076,298	\$ -
Due from Internal Service Fund	14,981,168	177,661,434	177,917,181	14,725,421
<b>Total Assets</b>	<b>\$ 15,002,768</b>	<b>\$ 181,716,132</b>	<b>\$ 181,993,479</b>	<b>\$ 14,725,421</b>
<b>Liabilities</b>				
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 662,361	\$ 4,054,698	\$ 4,076,298	\$ 640,761
Payable to Louisville Water Company		533,756		533,756
License fee collections payable: City Accounts Accounts Agency Funds	14,340,407	177,127,678	177,917,181	13,550,904
<b>Total Liabilities</b>	<b>\$ 15,002,768</b>	<b>\$ 181,716,132</b>	<b>\$ 181,993,479</b>	<b>\$ 14,725,421</b>
<b><u>County Accounts Agency Fund</u></b>				
<b>Assets</b>				
Due from Internal Service Fund	\$ 8,171,587	\$ 111,820,371	\$ 113,008,442	\$ 6,983,516
<b>Liabilities</b>				
License fee collections payable to County Accounts Agency Fund	\$ 8,171,587	\$ 111,820,371	\$ 113,008,442	\$ 6,983,516

Continued

Combining Statement of Changes in Assets and Liabilities - All Agency Funds--Continued

**Louisville/Jefferson County Metro Revenue Commission**

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<b><u>School Boards Accounts</u></b>				
<b><u>Agency Fund</u></b>				
<b>Assets</b>				
Due from Internal Service Fund	<u>\$ 8,031,041</u>	<u>\$ 94,285,110</u>	<u>\$ 94,958,080</u>	<u>\$ 7,358,071</u>
<b>Liabilities</b>				
License fee collections payable to School Boards Accounts Agency Fund	<u>\$ 8,031,041</u>	<u>\$ 94,285,110</u>	<u>\$ 94,958,080</u>	<u>\$ 7,358,071</u>
<b><u>Mass Transit Trust</u></b>				
<b><u>Agency Fund</u></b>				
<b>Assets</b>				
Due from Internal Service Fund	<u>\$ 2,801,583</u>	<u>\$ 33,391,198</u>	<u>\$ 33,599,216</u>	<u>\$ 2,593,565</u>
<b>Liabilities</b>				
License fee collections payable to Mass Transit Trust Agency Fund	<u>\$ 2,801,583</u>	<u>\$ 33,391,198</u>	<u>\$ 33,599,216</u>	<u>\$ 2,593,565</u>
<b><u>Transient Room Tax Accounts</u></b>				
<b><u>Agency Fund</u></b>				
<b>Assets</b>				
Due from Internal Service Fund	<u>\$ 1,122,964</u>	<u>\$ 13,675,461</u>	<u>\$ 13,553,308</u>	<u>\$ 1,245,117</u>
<b>Liabilities</b>				
Tax collections payable Transient Room Tax Accounts Agency Fund	<u>\$ 1,122,964</u>	<u>\$ 13,675,461</u>	<u>\$ 13,553,308</u>	<u>\$ 1,245,117</u>

Continued

Combining Statement of Changes in Assets and Liabilities - All Agency Funds--Continued

**Louisville/Jefferson County Metro Revenue Commission**

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<b><u>Totals - All Agency Funds</u></b>				
<b>Assets</b>				
Cash with paying agents	\$ 21,600	\$ 4,054,698	\$ 4,076,298	\$ 0
Due from Internal Service Fund	35,108,343	430,833,574	433,036,227	32,905,690
<b>Total Assets</b>	<b>\$ 35,129,943</b>	<b>\$ 434,888,272</b>	<b>\$ 437,112,525</b>	<b>\$ 32,905,690</b>
<b>Liabilities</b>				
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 662,361	\$ 4,054,698	\$ 4,076,298	\$ 640,761
Payable to Louisville Water Company		533,756		533,756
Payable to Louisville/ Jefferson County Metro Government:				
City Accounts Agency Funds	14,340,407	177,127,678	177,917,181	13,550,904
Mass Transit Trust Agency Fund	2,801,583	33,391,198	33,599,216	2,593,565
County Accounts Agency Fund	8,171,587	111,820,371	113,008,442	6,983,516
Transient Room Tax Accounts Agency Fund	1,122,964	13,675,461	13,553,308	1,245,117
Payable to School Boards Accounts Agency Fund	8,031,041	94,285,110	94,958,080	7,358,071
<b>Total Liabilities</b>	<b>\$ 35,129,943</b>	<b>\$ 434,888,272</b>	<b>\$ 437,112,525</b>	<b>\$ 32,905,690</b>

Analysis of All Agency Funds Due From Internal Service Fund Accounts

**Louisville/Jefferson County Metro Revenue Commission**

Year Ended June 30, 2004

	City Accounts Agency Funds	County Accounts Agency Fund	School Boards Accounts Agency Fund	Mass Transit Trust Agency Fund	Transient Room Tax Accounts Agency Fund	Totals
<b>Receipts and Additions</b>						
Occupational license fees and other special tax collections						
Employees' license fees	\$ 93,902,393	\$ 81,120,929	\$ 75,398,121	\$ 28,274,371		\$ 278,695,814
License fees based on						
business net profits	15,516,151	14,719,085	18,056,407	4,821,525		53,113,168
Insurance premium license fees	40,712,126	15,019,918				55,732,044
Truck and trailer license fees	75,916					75,916
Transient room tax					\$ 13,622,016	13,622,016
Interest and penalties charged taxpayers	1,181,931	875,743	759,601	270,158	44,409	3,131,842
Interest earned on investments	256,117	84,696	70,981	25,144	9,036	445,974
Dividends - Louisville Water Company	11,975,101					11,975,101
Prepaid Dividends - Louisville Water Company	533,756					533,756
Expenses paid by Metro Government	3,210,909					3,210,909
Compact redistribution	10,297,034	(10,297,034)				
<b>Total Receipts and Additions</b>	177,661,434	101,523,337	94,285,110	33,391,198	13,675,461	420,536,540
<b>Disbursements and Deletions</b>						
Payments to governmental agencies	172,124,990	101,202,977	93,686,189	33,148,774	13,381,574	413,544,504
Collection fee paid to the Internal Service Fund		1,508,431	1,271,891	450,442	170,830	3,401,594
Investment fee paid to the Internal Service Fund					904	904
Collections remitted to paying agents for Metro Government debt service:						
Principal	1,450,000					1,450,000
Interest	3,143,668					3,143,668
Quasi-external service fees paid to the Internal Service Fund	1,198,523					1,198,523
<b>Total Disbursements and Deletions</b>	177,917,181	102,711,408	94,958,080	33,599,216	13,553,308	422,739,193
<b>Excess of Receipts and Additions Over (Under) Disbursements and Deletions</b>	(255,747)	(1,188,071)	(672,970)	(208,018)	122,153	(2,202,653)
<b>Due From Internal Service Fund, Beginning of Year</b>	14,981,168	8,171,587	8,031,041	2,801,583	1,122,964	35,108,343
<b>Due from Internal Service Fund, End of Year</b>	\$ 14,725,421	\$ 6,983,516	\$ 7,358,071	\$ 2,593,565	\$ 1,245,117	\$ 32,905,690

## **CITY ACCOUNTS AGENCY FUNDS**

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City Accounts Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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The Tax Collections and Other Receipts Agency Fund is used to account for the collection of license fees withheld by employers, license fees based on business net profits, insurance premium license fees, special taxes, interest and penalties and interest earned on investments.

The Louisville Water Company Agency Fund collects any dividends paid on the stock of the Louisville Water Company.

The Bond Proceeds Agency Fund is used to account for the proceeds of various Metro Government general obligation bond issues.

The Current Debt Requirement Agency Fund is used to accumulate funds from Metro Government tax collections to pay the annual principal and interest requirements on Metro Government's general obligation bonded debt.

Combining Statement of Fiduciary Net Assets - All City Accounts Agency Funds

**Louisville/Jefferson County Metro Revenue Commission**

June 30, 2004

	Tax Collections and Other Receipts Agency Fund	Current Debt Requirement Agency Fund	Totals
<b>Assets</b>			
Due from Internal Service Fund	\$ 14,084,660	\$ 640,761	\$ 14,725,421
<b>Total Assets</b>	<u>\$ 14,084,660</u>	<u>\$ 640,761</u>	<u>\$ 14,725,421</u>
<b>Liabilities</b>			
Amounts held for Louisville/Jefferson County Metro Government, restricted for debt service		\$ 640,761	\$ 640,761
Payable to Louisville Water Company	\$ 533,756		533,756
Payable to Louisville/Jefferson County Metro Government: City Accounts Agency Funds- tax collections and other income	\$ 13,550,904		13,550,904
<b>Total Liabilities</b>	<u>\$ 14,084,660</u>	<u>\$ 640,761</u>	<u>\$ 14,725,421</u>

Combining Statement of Changes in Assets and Liabilities - All City Accounts Agency Funds

**Louisville/Jefferson County Metro Revenue Commission**

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<b><u>Tax Collections and Other Receipts Agency Fund</u></b>				
<b>Assets</b>				
Due from Internal Service Fund	\$ 14,340,407	\$ 177,661,434	\$ 177,917,181	\$ 14,084,660
<b>Liabilities</b>				
Payable to Louisville Water Company		\$ 533,756		\$ 533,756
Payable to Louisville/Jefferson County Metro Government:				
City Accounts Agency Funds-				
tax collections and other income	\$ 14,340,407	177,127,678	\$ 177,917,181	13,550,904
	<u>\$ 14,340,407</u>	<u>\$ 177,661,434</u>	<u>\$ 177,917,181</u>	<u>\$ 14,084,660</u>
<b><u>Current Debt Requirement Agency Fund</u></b>				
<b>Assets</b>				
Cash with paying agents	\$ 21,600	\$ 4,054,698	\$ 4,076,298	\$ 0
Due from Internal Service Fund	640,761			640,761
	<u>\$ 662,361</u>	<u>\$ 4,054,698</u>	<u>\$ 4,076,298</u>	<u>\$ 640,761</u>
<b>Liabilities</b>				
Amounts held for Louisville/Jefferson Country Metro Government, restricted for debt service	\$ 662,361	\$ 4,054,698	\$ 4,076,298	\$ 640,761

Combining Statement of Changes in Assets and Liabilities - All City Accounts Agency Funds--Continued

**Louisville/Jefferson County Metro Revenue Commission**

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<b><u>Totals - All City Accounts</u></b>				
<b><u>Agency Funds</u></b>				
<b>Assets</b>				
Cash with paying agents	\$ 21,600	\$ 4,054,698	\$ 4,076,298	\$ 0
Due from Internal Service Fund	<u>14,981,168</u>	<u>177,661,434</u>	<u>177,917,181</u>	<u>14,725,421</u>
<b>Total Assets</b>	<u>\$ 15,002,768</u>	<u>\$ 181,716,132</u>	<u>\$ 181,993,479</u>	<u>\$ 14,725,421</u>
<b>Liabilities</b>				
Amounts held for Louisville/ Jefferson County Metro Government, restricted for debt service	\$ 662,361	\$ 4,054,698	\$ 4,076,298	\$ 640,761
Payable to Louisville Water Company	0	533,756	0	533,756
Payable to Louisville/ Jefferson County Metro Government: City Accounts Agency Funds	<u>14,340,407</u>	<u>177,127,678</u>	<u>177,917,181</u>	<u>13,550,904</u>
<b>Total Liabilities</b>	<u>\$ 15,002,768</u>	<u>\$ 181,716,132</u>	<u>\$ 181,993,479</u>	<u>\$ 14,725,421</u>



Analysis of City Accounts Agency Funds Due From Internal Service Fund Accounts

**Louisville/Jefferson County Metro Revenue Commission**

Year Ended June 30, 2004

	Tax Collections and Other Receipts Agency Fund	Louisville Water Company Agency Fund	Current Debt Requirement Agency Fund	Totals
<b>Receipts and Additions</b>				
Occupational license fees and other special tax collections				
Employees' license fees	\$ 93,902,393			\$ 93,902,393
License fees based on business net profits	15,516,151			15,516,151
Insurance premium license fees	40,712,126			40,712,126
Truck and trailer license fees	75,916			75,916
Interest and penalties charged taxpayers	1,181,931			1,181,931
Interest earned on investments	256,117			256,117
Dividends - Louisville Water Company		\$ 11,975,101		11,975,101
Prepayment - Louisville Water Company Dividends	533,756			533,756
Expenses paid by Metro Government	3,210,909			3,210,909
Compact redistribution	10,297,034			10,297,034
<b>Total Receipts and Additions</b>	165,686,333	11,975,101		177,661,434
<b>Disbursements and Deletions</b>				
Payments to Metro Government	159,970,966	12,154,024		172,124,990
Collections remitted to paying agents for Metro Government debt service				
Principal			\$ 1,450,000	1,450,000
Interest			3,143,668	3,143,668
Quasi-external service fees paid to the Internal Service Fund	1,198,523			1,198,523
<b>Total Disbursements and Deletions</b>	161,169,489	12,154,024	4,593,668	177,917,181
<b>Excess of Receipts and Additions Over (Under) Disbursements and Deletions</b>	4,516,844	(178,923)	(4,593,668)	(255,747)
<b>Interfund transfers</b>	(4,593,668)		4,593,668	
<b>Due from Internal Service Fund, Beginning of Year</b>	14,802,245	178,923		14,981,168
<b>Due from Internal Service Fund, End of Year</b>	\$ 14,725,421	\$ 0	\$ 0	\$ 14,725,421

## **STATISTICAL SECTION**

Summary of Revenues and Expenses of the Internal Service Fund

**Louisville/Jefferson County Metro Revenue Commission**

Years Ended June 30, 1995 Through June 30, 2004

Year	Revenues				Totals	Operating Expenses
	Collection, Investment and Other Fees	Quasi-external Service Fees Received From Metro Government: City Accounts Agency Funds*	Transfers Received From Metro Government: City Accounts General Fund*			
1995	\$ 2,390,887	\$ 1,522,021		\$ 3,912,908	\$ 3,940,635	
1996	2,543,997	1,409,187		3,953,184	3,766,522	
1997	2,655,313	1,837,871	\$ 190,414	4,683,598	4,031,697	
1998	2,776,109	1,883,727	115,803	4,775,639	4,173,177	
1999	2,994,908	1,656,147	379,187	5,030,242	4,372,265	
2000	3,161,863	1,459,277	644,039	5,265,179	4,913,635	
2001	3,249,321	1,895,287		5,144,608	5,246,553	
2002	3,367,679	1,438,538		4,806,217	5,261,247	
2003	3,352,432	1,500,294	100,000	4,952,726	5,481,590	
2004	3,402,498	1,198,523		4,601,021	5,164,279	

\* The City of Louisville prior to January 6, 2003

Summary of Revenues, Collections, Distributions and Expenses  
of the City Accounts Agency Funds

**Louisville/Jefferson County Metro Revenue Commission**

Years Ended June 30, 1995 Through June 30, 2004

Receipts and Additions						
Year	License Fee Collections	Interest Earned on Investments	Delinquency Collections	Dividends Louisville Water Co.	Debt Service Recovery From MSD	Expenses Paid By Metro Government: City Accounts*
1995	\$ 103,968,266	\$ 950,915	\$ 1,465,737	\$ 11,802,943	\$ 152,100	\$ 2,139,500
1996	110,217,702	967,643	1,431,618	11,636,867	150,075	2,201,790
1997	117,586,529	1,046,476	1,653,740	11,322,028	0	2,391,043
1998	117,547,398	1,219,192	1,268,291	11,115,384	0	2,639,968
1999	125,807,273	1,176,222	1,277,024	11,415,421	0	2,646,561
2000	129,336,994	1,287,695	851,741	13,320,811	0	2,850,390
2001	133,741,384	1,483,089	1,102,782	13,523,581	0	3,211,420
2002	130,269,876	604,477	1,747,458	13,127,014	0	3,344,424
2003	141,632,198	370,420	1,334,210	12,434,830	0	3,524,468
2004	151,388,517	256,117		12,508,857	0	3,210,909

\* The City of Louisville prior to January 6, 2003

Summary of Revenues, Collections, Distributions and Expenses  
of the City Accounts Agency Funds

**Louisville/Jefferson County Metro Revenue Commission**

Years Ended June 30, 1995 Through June 30, 2004

		Disbursements and Deletions			
				Quasi- External Service Fees Paid to Internal Service Fund	Transfer to Internal Service Fund
Compact Re- distribution	Totals	Payments to City Accounts	Debt Service		
\$ 5,359,214	\$ 125,838,675	\$ 121,449,661	\$ 1,899,863	\$ 1,522,021	
4,736,920	131,342,615	127,406,007	1,463,330	1,409,187	
4,043,453	138,043,269	133,934,362	1,319,699	1,837,871	\$ 190,414
5,083,879	138,874,112	135,636,999	1,321,775	1,883,727	115,803
7,085,099	149,407,600	147,818,824	770,883	1,656,147	379,187
9,072,996	156,720,627	151,148,311	2,094,847	1,459,277	644,039
9,893,073	162,955,329	158,057,820	2,175,155	1,895,287	0
15,014,328	164,107,577	158,718,684	2,266,967	1,438,538	35,564
10,786,400	170,082,526	166,242,097	3,168,005	1,500,294	100,000
10,297,034	177,661,434	172,124,990	4,593,668	1,198,523	0

License Fee Collections - City Accounts Agency Funds

**Louisville/Jefferson County Metro Revenue Commission**

Years Ended June 30, 1995 Through June 30, 2004

Year	Occupational License Tax		Other Licenses			Totals
	Withholding and Individual Returns	Net Profit Returns	Insurance Companies	Trucks, Trailers and Taxis	Interest and Penalties	
1995	\$ 65,492,088	\$ 15,137,761	\$ 22,521,429	\$ 42,126	\$ 774,862	\$ 103,968,266
1996	69,003,422	16,847,639	23,718,613	35,293	612,735	110,217,702
1997	72,567,152	18,410,532	25,666,781	41,177	900,887	117,586,529
1998	76,923,809	15,282,976	24,698,592	34,341	607,680	117,547,398
1999	78,715,560	19,005,755	27,316,592	13,513	756,393	125,807,813
2000	82,678,711	19,620,331	26,390,911	67,305	579,736	129,336,994
2001	85,824,342	18,523,980	28,245,478	53,401	1,094,183	133,741,384
2002	87,491,129	13,191,382	28,429,059	49,931	1,108,375	130,269,876
2003	88,696,393	14,222,017	37,281,424	62,803	1,369,561	141,632,198
2004	93,902,393	15,516,151	40,712,126	75,916	1,181,931	151,388,517

License Fee Collections - County Accounts Agency Fund

**Louisville/Jefferson County Metro Revenue Commission**

Years Ended June 30, 1995 Through June 30, 2004

Year	<u>Occupational License Tax</u>		<u>Other Licenses</u>		Totals
	Withholding and Individual Returns	Net Profit Returns	Insurance Companies	Interest and Penalties	
1995	\$ 54,693,875	\$ 11,643,365	\$ 11,052,718	\$ 502,794	\$ 77,892,752
1996	58,510,597	11,558,285	11,307,707	617,121	81,993,710
1997	60,528,857	11,549,164	11,527,673	611,708	84,217,402
1998	64,876,284	12,292,095	11,926,664	509,882	89,604,925
1999	70,945,268	13,567,816	11,880,908	639,294	97,033,286
2000	76,420,416	14,656,620	11,313,413	463,329	102,853,778
2001	79,969,055	13,054,809	12,723,849	891,554	106,639,267
2002	79,602,419	19,671,194	14,082,594	987,353	114,343,560
2003	79,927,085	16,276,919	14,510,633	1,095,123	111,809,760
2004	81,120,929	14,719,085	15,019,918	875,743	111,735,675

## Demographic Statistics

### Louisville/Jefferson County Metro Revenue Commission

For Years 1994 Through 2003

Calendar Year	Louisville Population ( 1 )	Jefferson County Population ( 1 )	School Enrollment ( 2 )	Employment ( 3 )	Unemployment Rate ( 3 )	Average Annual Income of Production Workers ( 3 )
1994	264,988	672,311	120,484	510,564	4.4%	\$ 30,650
1995	262,648	675,567	119,680	521,867	4.6%	31,630
1996	263,689	673,040	117,953	516,722	4.7%	31,630
1997	260,689	670,622	111,719	542,462	4.5%	32,050
1998	255,045	672,104	116,931	542,259	3.1%	33,917
1999	253,128	672,900	114,711	541,345	3.3%	31,718
2000	256,231	693,604	116,587	566,658	3.7%	33,955
2001	256,231	692,910	118,611	553,158	5.0%	30,660
2002	251,399	698,080	120,075	531,506	5.3%	33,553
2003	N/A	699,017	120,376	522,954	5.5%	32,120

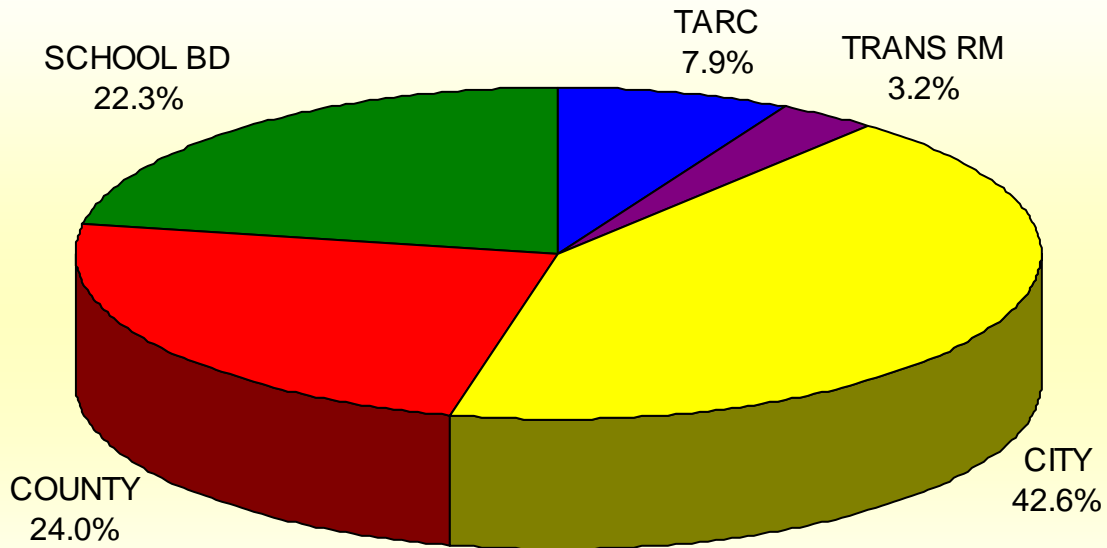
#### DATA SOURCES:

- (1) 1990 and 2000 data are based on actual census; other years represent best available estimates.
- (2) Figures include all Jefferson County schools. Figures for Louisville are not available.
- (3) Kentucky Department of Employment Services. Figures are for the Louisville Metropolitan Area including several counties in southern Indiana.



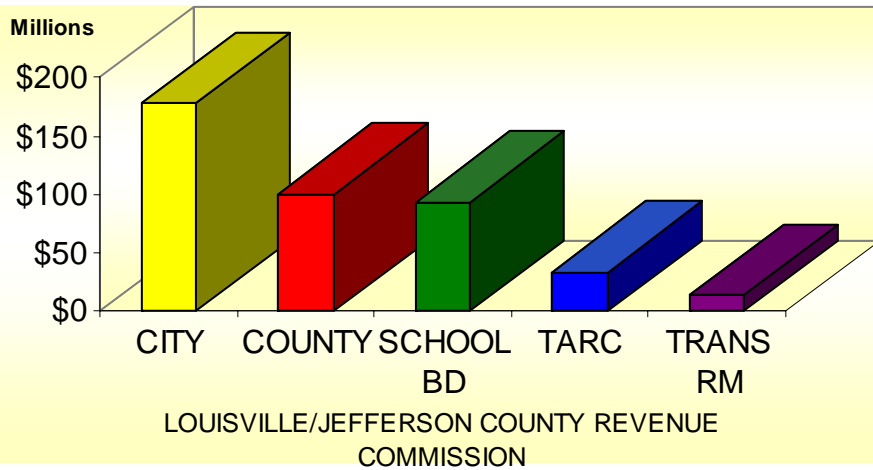
## AGENCY FUNDS RECEIPTS

YEAR ENDED JUNE 30, 2004



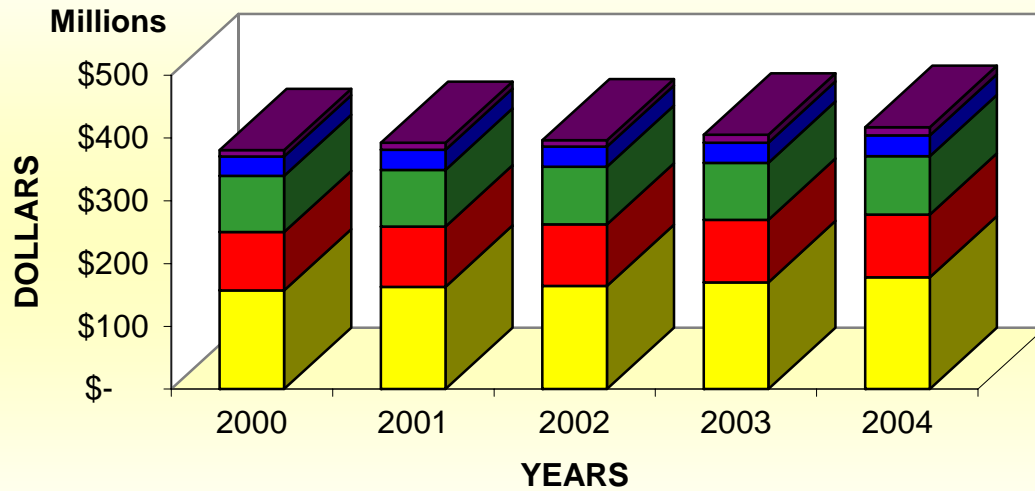
## AGENCY FUNDS RECEIPTS

YEAR ENDED JUNE 30, 2004



## AGENCY FUNDS RECEIPTS BY YEAR

YEAR ENDED JUNE 30,



■ CITY ■ COUNTY ■ SCHOOL BD ■ TARC ■ TRANS RM